

109TH CONGRESS
2D SESSION

S. 3985

To promote the recovery of oil and gas revenues on the Outer Continental Shelf, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 28, 2006

Ms. LANDRIEU introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

A BILL

To promote the recovery of oil and gas revenues on the Outer Continental Shelf, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Outer Continental
5 Shelf Royalty Reform and Enhancement Act of 2006”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

8 (1) GULF PRODUCING STATE.—The term “Gulf
9 producing State” means each of the States of Ala-
10 bama, Louisiana, Mississippi, and Texas.

1 (2) QUALIFIED OUTER CONTINENTAL SHELF
2 REVENUES.—

3 (A) IN GENERAL.—The term “qualified
4 outer Continental Shelf revenues” means all
5 rentals, royalties, bonus bids, and other sums
6 due and payable to the United States under
7 section 5.

8 (B) EXCLUSIONS.—The term “qualified
9 outer Continental Shelf revenues” does not in-
10 clude—

11 (i) revenues from the forfeiture of a
12 bond or other surety securing obligations
13 other than royalties, civil penalties, or roy-
14 alties taken by the Secretary in-kind and
15 not sold; or

16 (ii) revenues generated from leases
17 subject to section 8(g) of the Outer Conti-
18 nental Shelf Lands Act (43 U.S.C.
19 1337(g)).

20 (3) SECRETARY.—The term “Secretary” means
21 the Secretary of the Interior.

22 **SEC. 3. PRICE THRESHOLD REQUIREMENT FOR FUTURE**
23 **LEASES.**

24 Notwithstanding any other provision of law, the Sec-
25 retary shall place limitations based on market price on the

1 royalty relief granted under any lease for the production
 2 of oil or natural gas entered into on or after the date of
 3 enactment of this Act.

4 **SEC. 4. CLARIFICATION OF AUTHORITY TO IMPOSE PRICE**
 5 **THRESHOLDS FOR CERTAIN LEASE SALES.**

6 Congress reaffirms the authority of the Secretary
 7 under section 8(a)(1)(H) of the Outer Continental Shelf
 8 Lands Act (43 U.S.C. 1337(a)(1)(H)) to vary, based on
 9 the price of production from a lease, the suspension of
 10 royalties under any lease subject to section 304 of the
 11 Outer Continental Shelf Deep Water Royalty Relief Act
 12 (43 U.S.C. 1337 note; Public Law 104–58).

13 **SEC. 5. RECOVERY OF REVENUE FROM LEASES WITHOUT**
 14 **PRICE THRESHOLDS.**

15 (a) OFFER TO AMEND PAYMENT RESPONSIBIL-
 16 ITIES.—

17 (1) IN GENERAL.—The Secretary shall offer to
 18 enter into written agreements to amend the payment
 19 responsibilities under each lease entered into by the
 20 Secretary that—

21 (A) authorizes the production of oil or nat-
 22 ural gas on the Outer Continental Shelf;

23 (B) provides for relief from the payment of
 24 royalties; and

1 (C) does not provide for the suspension of
2 the relief based on an increase in the price of
3 oil or natural gas, respectively, above specified
4 thresholds.

5 (2) OFFERS.—Not later than 30 days after the
6 date of enactment of this Act, the Secretary shall
7 provide each lessee that has entered into a lease de-
8 scribed in paragraph (1) with a separate written
9 offer to amend the payment responsibilities of the
10 lessee under the lease.

11 (3) MULTIPLE LESSEES.—In carrying out this
12 subsection, if multiple persons own a share of the
13 lease, the Secretary may enter into a separate agree-
14 ment with each person that reflects the respective
15 interest of the person in the lease.

16 (4) PRICE THRESHOLDS.—The offer shall pro-
17 pose imposing price thresholds beginning in the cal-
18 endar year in which the offer is accepted at a level
19 that is consistent with the price thresholds contained
20 in outer Continental Shelf leases that contained
21 price thresholds that were entered into for calendar
22 years 1996, 1997, and 2000.

23 (b) INCREASED ROYALTY RATES.—In addition to the
24 authority provided under subsection (a), the Secretary
25 may increase the royalty rate on all leases entered into

1 by the Secretary on or after the date of enactment of this
2 Act for the production of oil or natural gas on the outer
3 Continental Shelf to a rate that is necessary to recover
4 the revenues lost from leases described in subsection
5 (a)(1) in an amount that (in conjunction with written
6 agreements entered into under subsection (a)) is sufficient
7 to recover \$12,000,000,000 during the period of fiscal
8 years 2007 through 2018.

9 **SEC. 6. DISPOSITION OF RECOVERED QUALIFIED OUTER**
10 **CONTINENTAL SHELF REVENUES.**

11 (a) IN GENERAL.—Notwithstanding section 9 of the
12 Outer Continental Shelf Lands Act (43 U.S.C. 1338) and
13 subject to the other provisions of this section, for each ap-
14 plicable fiscal year, the Secretary of the Treasury shall
15 deposit—

16 (1) 50 percent of qualified outer Continental
17 Shelf revenues in a special account in the Treasury,
18 to be disbursed to Gulf producing States by the Sec-
19 retary in a manner consistent with section 31(b) of
20 the Outer Continental Shelf Lands Act (43 U.S.C.
21 1356a(b)), as determined by the Secretary;

22 (2) 12½ percent to provide financial assistance
23 to States in accordance with section 6 of the Land
24 and Water Conservation Fund Act of 1965 (16
25 U.S.C. 460l–8), which shall be considered income to

1 the Land and Water Conservation Fund for pur-
2 poses of section 2 of that Act (16 U.S.C. 460l–5);
3 and

4 (3) 37½ percent of qualified outer Continental
5 Shelf revenues in the general fund of the Treasury,
6 to be used for deficit reduction.

7 (b) TIMING.—The amounts required to be deposited
8 under paragraphs (1) and (2) of subsection (a) for the
9 applicable fiscal year shall be made available in accordance
10 with that paragraph during the fiscal year immediately
11 following the applicable fiscal year.

12 (c) ADMINISTRATION.—Amounts made available
13 under paragraphs (1) and (2) of subsection (a) shall—

14 (1) be made available, without further appro-
15 priation, in accordance with this section;

16 (2) remain available until expended; and

17 (3) be in addition to any amounts appropriated
18 under—

19 (A) the Outer Continental Shelf Lands Act
20 (43 U.S.C. 1331 et seq.);

21 (B) the Land and Water Conservation
22 Fund Act of 1965 (16 U.S.C. 460l–4 et seq.);
23 or

24 (C) any other provision of law.

1 **SEC. 7. FEDERAL GUARANTEE OF STATE BOND.**

2 The Secretary shall guarantee the repayment of a
3 bond issued by the State of Louisiana for constructing and
4 carrying out coastal wetland restoration projects and re-
5 lated storm protection infrastructure (to be repaid using
6 qualified outer Continental Shelf revenues received by the
7 State for fiscal years 2017 through 2027) in an amount
8 equal to 100 percent of the outstanding principal of the
9 bond, on a determination by the Secretary that—

10 (1) the amount of the bond does not exceed 80
11 percent of the estimated amount of qualified outer
12 Continental Shelf revenues the State will receive for
13 fiscal years 2017 through 2027;

14 (2) the funds will be used in accordance with a
15 plan submitted by the State; and

16 (3) the bond is in a registered form and con-
17 tains appropriate legal guarantees for repayment
18 using qualified Outer Continental shelf revenues for
19 fiscal years 2017 through 2027.

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